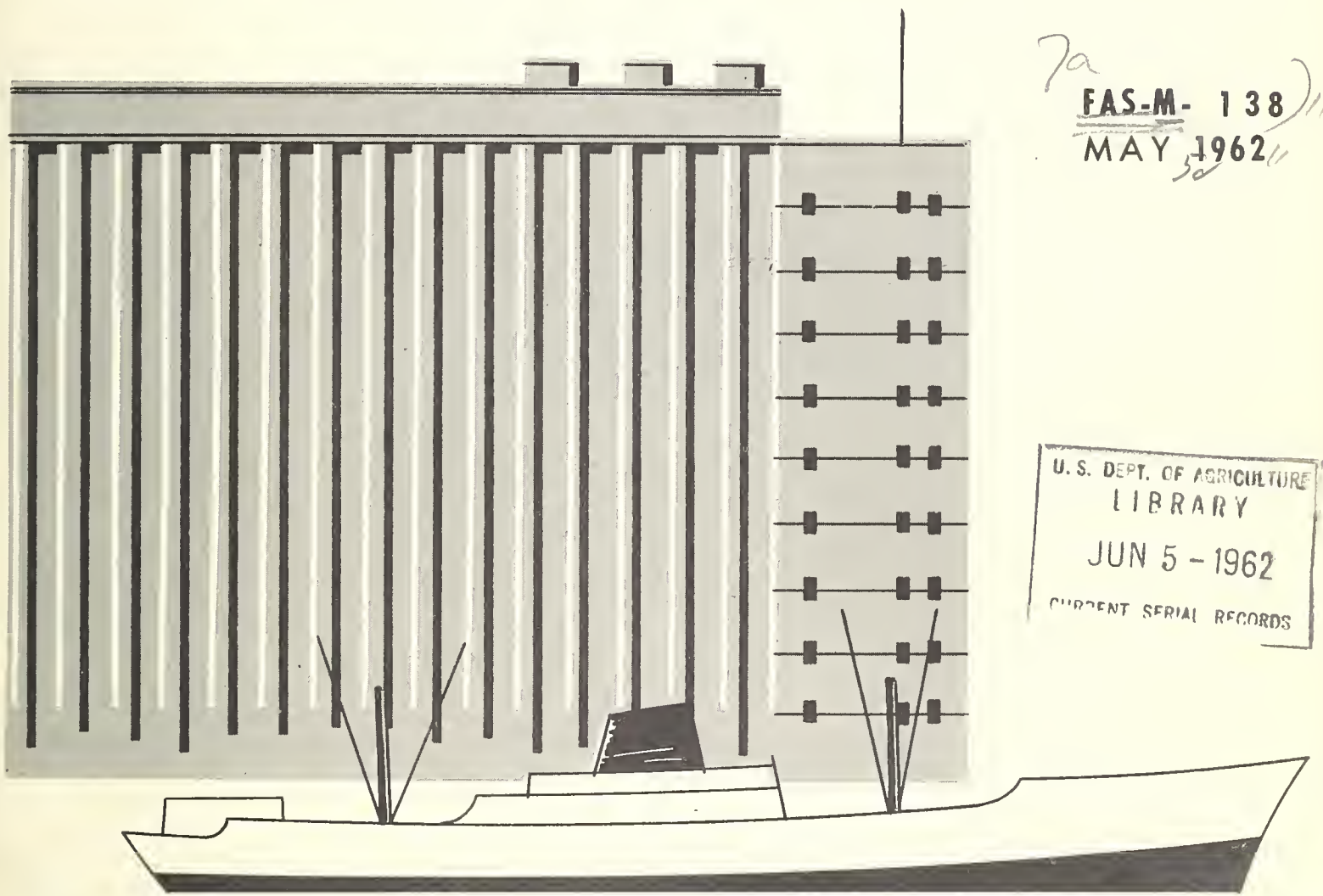


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competition in THE GRAIN MARKET OF WESTERN EUROPE



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INTRODUCTION

Western Europe represents one of the most important outlets for wheat and feed grain exports, most of which move into the area within a framework of government regulations. Though these regulations are far reaching in most countries, competition among the world's exporting countries for this market is keen.

The list of these countries is long, but some countries are not represented every year because of alternative outlets and differences in export availabilities. Even for major exporters like the United States, the quantity and percentage supplied vary from country to country and from year to year.

In an effort to measure the competitive factors at work in this market and to account for the relative position of the various exporters, the Foreign Agricultural Service recently undertook a survey in five countries of Western Europe -- the United Kingdom, Italy, Germany, the Netherlands, and Austria -- which together account for about 25 percent of world wheat imports and over 47 percent of world feed grain imports. The results of the survey are given in this report.

Following a predetermined line of inquiry, the survey was carried out mainly through contacts with traders. The traders fell into three principal categories -- suppliers, importers, and end-users. The suppliers are the international grain houses with offices in various exporting and importing countries. The importers are the firms that buy through these suppliers, and, in turn, sell to the end-users, who are millers, feed compounders, or, in some cases, government accounts for stockpiling.

ACKNOWLEDGMENT

The author is indebted to the U.S. agricultural attachés and their staffs for the help they gave him when he was making the study reported here. Also, for guidance in planning and reporting the study, he wishes to express appreciation to Paul E. Quintus, Deputy Assistant Administrator for Market Development and Programs, who made the survey in West Germany and the Netherlands.

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COMPETITION IN THE GRAIN MARKET OF WESTERN EUROPE

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SUMMARY

In buying and selling grain, the landed price is, of course, the principal consideration traders take into account. Most of the people interviewed during the course of this study stressed the strong competition in the grain business and asserted that all transactions hinge on price, except for certain minimum requirements of hard wheat. Then, quality is the main consideration.

In their discussions, traders talked of the different elements that make up the landed price: The cost of the grain at points of export and import, insurance, shipping charges, delivery points, import duties and taxes, exchange rates. Thus it was clear that traders' preoccupation is with the margin of profit, not with the cost of grain alone. And, since they are in position to handle grain from any exporting country, their concern is not with source but with the elements that make up the landed price and the operating margins.

For example, at the time of this study, U.S. No. 2 Yellow and Eastern European corn were priced for export at the same level, and most of the traders interviewed considered these corns interchangeable. However, since East European corn can be moved cheaply along the Danube and other waterways into southern Germany, Austria, and Italy, U.S. corn is not fully competitive in these markets.

Another factor traders take into account is end-user preference. Numerous preferences based on real or fancied differences in grains are reflected in the price structure and the direction of the trade, especially when importers have purchased from a certain country for a long time so that consumers become accustomed to a grain and consider it the standard of quality on which all other grains are purchased and sold.

Some times, importers "prefer" a certain grain because of government regulations. In the case of wheat imports into Germany, the kinds entering competition--i.e., outside trade agreement arrangements--are largely determined by the German mixing regulation. This requires millers to use 75 percent domestic wheat and, to achieve the desired baking qualities, they turn to the strongest wheat available--Manitobas or U.S. Northern Spring wheats. They could use more U.S. Dark Northerns if the U.S. price structure did not place so much premium on high proteins and make this wheat noncompetitive with Manitobas. Or if the mixing regulation called for, say, 50 percent domestic instead of 75 percent, millers could use greater quantities of U.S. wheats.

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In marketing corn, the end-use is highly important. If it is to be used by the compounding industry in, say, the United Kingdom, the Netherlands, or West Germany, U.S. Yellow corn with a high percentage of broken grains is generally acceptable. If, on the other hand, it is being used whole or cracked as a feed, its appearance ranks high. Argentine corn carries a premium for this purpose. Similarly, the starch industry will pay a premium for minimum quantities of quality white corn. This preference may be reflected in purchases from the Republic of South Africa within the limitations of supplies and prices.

For other feed grains also, end-use and preferences for other reasons limit purchases from a particular country. A large part of the barley imports, for example, are made up of brewing barley, of which the United States has only limited quantities for export. Large quantities of oats are rolled for edible purposes; this preference goes to Australia.

Such preferences do not apply to filler wheats. These wheats--usually soft wheats that make up the bulk of blends for flour milling--are in abundant supply. They are produced in each of the countries studied and are available for export from several countries. Therefore, importers have a wide selection.

A third factor that ranks high in the world grain trade is availability and continuing supply. As the analysis progressed, there was much to indicate that the strength of the United States in Europe's grain market depends to a large extent on its abundant, continuing supplies. All the traders interviewed were highly knowledgeable with respect to U.S. grain standards and trading arrangements. It was apparent that some of the preferences in West Europe for grains of other origins could be overcome by continued market development activities and by tailoring U.S. varieties and qualities to European market needs.

Commercial grain storage facilities in most countries are adequate to meet trade requirements. Most of the importers and processors reported that, to meet these requirements, purchases were made for 2 to 3 months ahead. Several of the U.K. importers indicated that if use exceeded expectations they could obtain additional supplies of some grains in 4 to 8 days from continental sources and in 2 weeks from North America. Also, the governments of the Netherlands, West Germany, and Austria provide some storage facilities for government-owned stocks, and each has recently made plans to increase capacity.

STRUCTURE OF WORLD GRAIN TRADE

Each year about 60 million tons of wheat and feed grains move in world trade. Most of this is handled by six to eight international grain traders, generally through their representatives in exporting and importing countries.

Transactions in the international grain trade involve shipments of varying quantities, but usually they are of 10,000 metric tons with a value of around \$500,000. Sales of this magnitude require large sums of capital. The traders depend upon large volumes and small margins to provide adequate returns to capital and management. The capital structure required in international trade limits the entry of new firms into the business. However, even with the small number of traders, the competition is reported to be very keen for each purchase and sale.

Competition is not only intense between traders but between supplying countries in which each organization has a representative. In the process of completing a sale a supplier will submit bids for grain from more than one supplying country. The similarity and interchangeability of the product make this possible. For example, for feeding purposes, corn produced in one country is almost identical to corn produced in the other countries, except for small variations in quality, which is presumably reflected in the landed price. There is also the element of competition between grains that keeps the various grains priced in relation to their feeding values.

There is, of course, little competition when only two or three countries export a certain type of wheat, but most wheats are available in substitutional volume within a price range. In fact the number of countries exporting a particular class of wheat varies from two for Hard Spring to seven for durum.

Only Canada and the United States supply Hard Spring wheat. The United States and Argentina are the chief competitors of Hard Red Winter wheat; Morocco, Uruguay, and the USSR export small quantities during some years. The white wheat exporters are Australia, Morocco, Tunisia, and the United States. Soft Red Winter wheat suppliers are Argentina, Canada, France, the United States, and Uruguay. Soft white wheat suppliers are Australia, Canada, and the United States. Mixed wheat suppliers are Argentina, Canada, Libya, Rumania, Spain, Turkey, and the USSR. Durum wheat exporters are Canada, Argentina, Morocco, Turkey, the United States, Spain, and Libya.

In handling grain transactions, the trader, naturally, needs to make a profit to remain in business. But as governments have involved themselves increasingly in the world grain trade, the trader's margin of profit has shrunk--so much so, according to some of the traders interviewed during the course of this study, that often they can barely meet expenses of the transactions. This is especially true when an exporting country sets the export price and the importing country, the resale price. Governments of grain exporting countries intervene in world grain trading for numerous reasons, generally arising out of some program relating to producer incomes or the need for foreign exchange. The countries can be classified into four groups:

- (1) Countries with totalitarian governments.
- (2) Countries with government grain-export monopolies.
- (3) Countries which operate on free-trade basis with government assistance.
- (4) Countries which operate on a free-trade basis without direct government assistance.

Grain importing countries all have some type of import restriction on food or feed grains or on both. By type of restriction, importers fall into three broad categories:

- (1) Countries with no restrictions on certain grain products and with import duties on others. (The United Kingdom is one of these; it has no restrictions against imports of wheat and corn, and levies import duties on flour, barley, oats, and grain sorghums.)

(2) Countries in which imports are at all times under direct government control either by government import monopolies, or by periodic determination of the kinds and quantities to be imported.

(3) Countries which limit imports by the use of annual or other periodic global or country quotas, licensing, import taxes, equalization fees, exchange regulations, and, in the case of bread grains, mixing regulations.

The system of grain purchases by importing countries lends itself to purchases based on lowest price for the delivery of lowest qualities within a grade. When a processor, importer, or broker decides to purchase or gets a license to import, he obtains bids from all of the suppliers for the particular grade desired. Those interviewed reported that, in all cases, the lowest bidder gets the order. Since all suppliers know of this procedure, they submit offers on the basis of delivering the lowest quality within the grade. This makes it necessary for exporting countries to control the quality of their exports in order to maintain a standard of performance in international trade.

Many of the importers interviewed expressed a strong preference for grading on the basis of arrival. This is the system, for example, under which Argentine corn is sold in Italy; the sample is taken upon arrival by a licensed agency and sent to the United Kingdom for grade and contract determinations on an f.a.q. basis. Price is agreed on after the delivery grade is determined. At the same time, the large international suppliers did not take occasion in this survey to raise any particular issue with U. S. certificates final.

In the movement of grain from exporter to importer, transportation facilities are of prime importance, of course. For ocean freight, this aspect of the trade structure has changed significantly during the past few years. The shift has been to larger ships, especially to tankers. West Germany and the Netherlands have about the only ports equipped to handle the large ships, which are up to 40,000 metric tons and which greatly reduce the costs to these countries. Also, barges from the Netherlands and West Germany can effectively compete with regular-size shipments direct to the United Kingdom where the ports are equipped to handle only a limited number of ships up to about 15,000 tons. The usual size of these shipments is about 400 tons.

MARKET ANALYSIS

Wheat and Flour

Several of those interviewed in each of the countries stated that the quality of domestic wheat was generally inferior and the prices were higher than wheat available on the world market. The quality factor is evident in the necessity for imports to blend with domestic wheats. The millers in the United Kingdom, West Germany, and the Netherlands reported that they could produce bread flour if no domestic wheat was used.

Table 1.—Wheat imports by source, 1960-61

| Source | United Kingdom | Netherlands | West Germany | Austria | Italy |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> |
| United States. | 525,971 | 242,588 | 211,023 | --- | 1,127,145 |
| Canada | 2,157,053 | 179,863 | 906,765 | 34,449 | 399,233 |
| Australia | 725,496 | --- | 105,111 | 13,868 | 443,583 |
| Argentina. | 225,954 | 27,633 | 200,717 | 14,486 | 129,005 |
| France. | 86,285 | 24,519 | 457,191 | 105 | --- |
| USSR. | 293,888 | 202,617 | 142,818 | --- | 233,298 |
| Belgium-Luxembourg.. | 14,571 | 8,492 | 4,274 | --- | --- |
| Israel | --- | --- | --- | --- | 2,363 |
| Yugoslavia. | --- | 10,039 | 20,019 | 14,517 | --- |
| Turkey. | --- | --- | --- | 15 | --- |
| Sweden. | --- | 8,328 | 100,297 | 1 | --- |
| Others. | 146,532 | 13,958 | 21,747 | 13,789 | 26,756 |
| Total | 4,175,750 | 718,037 | 2,169,962 | 91,230 | 2,361,383 |

The five countries in this study imported about 10.3 million metric tons of wheat and wheat flour in grain equivalent in 1960-61. The United Kingdom accounted for 4.7 million, or 46 percent of the total.

U. K. total imports were about 4.2 million tons of wheat and 530,000 tons of wheat equivalent of flour. Of the wheat imports, about 2.7 million tons must be of high-quality wheat, with about 2.2 million tons coming from Canada and about 500,000 tons from the United States. The remaining 1.4 million tons is mainly soft wheat. Australia has a bilateral trade agreement with the United Kingdom for 750,000 tons of soft wheat of which 725,496 tons were imported in 1960-61. This leaves a total of about 700,000 tons of wheat imported from other sources. This quantity is usually purchased on the basis of price, for which the United States competes with other exporters and supplied about 75,000 tons in 1960-61.

Flour imports are for special purposes, such as pastas, cookies, and prepared mixes. Canada is the principal supplier, with price and quality the most important considerations.

Austria's imports of wheat have declined during the past few years because of increased domestic production. Purchases in recent years have been of the higher quality wheat to blend with domestic soft wheat. As a result of the government's efforts to increase the production of hard wheat, Austria will probably supply most of its needs of both types of wheat within the next few years. During 1960-61, imports were 91,000 tons, mainly of hard wheat, or about 6 percent of domestic consumption. None was imported from the United States. Imports of durum accounted for about 15,000 tons of the total.

Italian imports of wheat have increased sharply during the past few years. During 1960-61, total imports were 2.4 million metric tons. Of this, about 100,000 metric tons was durum--as it is each year. About half the remainder was of U. S. origin. The increased imports were brought about by adverse weather conditions and the

Table 2.—Flour imports by source, 1960-61

| Source | United Kingdom | Netherlands | West Germany | Austria | Italy |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> | <i>Metric tons</i> |
| United States. | 56,913 | 104,491 | 8,479 | --- | 1,119 |
| Canada. | 362,402 | --- | --- | --- | 5,853 |
| Australia. | 70,473 | --- | --- | --- | --- |
| Argentina. | --- | --- | --- | --- | --- |
| France. | 11,425 | 238 | 24,979 | --- | --- |
| USSR. | --- | --- | --- | --- | --- |
| Belgium-Luxembourg. . | --- | 1 | --- | --- | --- |
| Israel. | --- | --- | --- | --- | --- |
| Yugoslavia. | --- | --- | --- | --- | --- |
| Turkey. | --- | --- | --- | --- | --- |
| Sweden. | --- | --- | --- | --- | --- |
| Others. | 29,492 | 115,281 | 435 | 2,292 | 2,733 |
| Total. | 530,705 | 220,011 | 33,893 | 2,292 | 9,705 |

general government policies to reduce soft wheat production. All of the traders interviewed estimated that Italian imports would probably continue at nearly 1 million tons annually for the next few years: the 100,000 metric tons of durum and the remainder, hard or semi-hard wheat. Wheat suitable for pasta production and price are the two most important considerations in making purchases.

West German imports of wheat in 1960-61 were 2.2 million metric tons and flour imports in wheat equivalent were 33,893 tons. The trend in wheat imports has been down and wheat flour imports, while small, have been up in recent years. Of the wheat imports, 1,030,000 tons was high quality, of which Canada supplied 550,000, the United States 170,000 tons, Argentina and the Soviet Union about 150,000 tons each. In addition about 500,000 tons was durum. The remaining import requirement of 650,000 tons was soft wheat. None of the imports of hard wheat are under trade agreements, but all of the imports of soft wheat are under bilateral trade agreements of some type.

Germany has agreements with France, Argentina, the USSR, Australia, and Sweden which cover most of the other wheat import requirements. Flour imports are primarily from France, with a token amount from the United States, consisting of specialty preparations.

Netherlands imports of wheat in 1960-61 were 718,037 metric tons and the wheat equivalent of flour, 220,011 tons. Both of the totals were below imports during recent years. Over half of the imports was of high-quality wheat from the United States and Canada. About 10,000 tons was durum. The USSR was the second largest supplier, with 202,617 tons. Almost half of the flour imports were from the United States. They consisted mostly of high-quality and special preparations.

Feed Grains

Barley is the basis of the feeding industry in the United Kingdom, West Germany, the Netherlands, and Austria and, in fact, in all of Western Europe except Italy. This is primarily because the climatic conditions are especially adaptable to barley production. The weather is generally cool with high humidity. Thus the yields per acre are among the highest in the world. The feeding industry in Italy is based on corn, mainly because of custom, location, and climatic conditions.

In order to produce a balanced feed, the compounders reported that from 20 to 40 percent of the mix needs are corn or grain sorghums. The proportion is dependent on the price of corn and grain sorghums in relation to barley. In years of large domestic production of barley, as in 1960-61, the compounders reported that they were using the maximum of 80 percent barley.

Another factor determining the relative percentage used is government import licenses. They may be issued on the basis of requiring the compounders to use the maximum amount of barley in the mix. This, of course, can be controlled by limiting the quantities of corn and grain sorghums to be imported.

The five countries in this study imported over 11.2 million metric tons of feed grains in 1960-61. The United Kingdom imported the largest quantity, followed by the Netherlands and West Germany.

Corn.--Corn made up about 65 percent of total feed grain imports in 1960-61; 50 percent went to the United Kingdom.

U.K. imports of corn were slightly over 3 million metric tons and end-users reported that imports are likely to remain at that level. Use for industrial purposes is about 660,000 tons, about half of which comes from the United States and the remainder from Argentina and the Republic of South Africa. The United Kingdom's remaining 2.3 million metric tons of import requirements are for livestock feeding. The source of purchase is determined primarily by price and quality.

Austria's purchase of corn in 1960-61 was 342,000 tons. Imports for the next few years are expected to be about 400,000 tons, according to most of the people interviewed. Imports have been primarily from Eastern European countries. Since about 80 percent of the corn is fed as grain, appearance is considered highly important. Feeders prefer grain 1 year old or less, unbroken, and low in foreign material. The price is also an important consideration, as they can get delivery on the eastern border at about the same price as at Hamburg, Bremen, or Trieste. The cost of transportation from the eastern border was reported to be about \$1.00 a ton less.

Italian imports have grown rapidly in the past few years, coincident with expanded livestock and poultry production. Total imports in 1960-61 were 1,502,000 metric tons. All of those interviewed expected imports to increase for the next few years even though domestic production would probably expand slightly.

About 70 percent of the corn imports have been from Argentina under a long-standing bilateral trade agreement. Like Austrians, Italians consider the appearance of the grain very important, as they also feed about 80 percent as grain. They prefer

Table 3.—Corn and grain sorghums imports by source, 1960-61

| Source | United Kingdom | Netherlands | West Germany | Austria | Italy |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> |
| Corn: | | | | | |
| United States | 2,077 | 951 | 500 | 48 | 91 |
| Canada | 64 | 8 | -- | -- | -- |
| Argentina | 120 | 308 | 107 | 16 | 924 |
| USSR | -- | -- | -- | 103 | -- |
| Republic of South Africa | 230 | -- | 15 | -- | 64 |
| Belgium | 42 | 10 | -- | -- | -- |
| Rumania | 106 | 28 | 95 | 33 | 23 |
| Rhodesia and Nyasaland | 27 | -- | -- | -- | -- |
| Mexico | -- | 81 | 10 | -- | 10 |
| Yugoslavia | -- | -- | 10 | 118 | 108 |
| Others | 392 | 41 | 135 | 24 | <u>1/</u> 282 |
| Total | 3,058 | 1,427 | 872 | 342 | 1,502 |
| Grain sorghums: | | | | | |
| United States | 294 | 621 | 42 | 8 | 7 |
| Argentina | 73 | 63 | 3 | -- | 6 |
| Others | 5 | 12 | 7 | 1 | -- |
| Total | 372 | 696 | 52 | 9 | 13 |

1/ Includes 245,000 from France and 22,000 from Angola.

the flint-type corn over the dent, and will pay \$2.50 - \$3.00 more per ton for it from the same port in Argentina.

West Germany imported 872,000 metric tons of corn in 1960-61. This total was below a year earlier but well above previous years. Import requirements should remain close to a million tons annually. The United States supplied over half of the total, with Argentina and Rumania the next largest suppliers.

Dutch imports of corn continued to increase in 1960-61 and totaled 1.4 million metric tons. Most of the people interviewed in this study expected import requirements to continue at this level. The United States has supplied nearly two-thirds of the total, with Argentina the next most important supplier.

Grain Sorghums.--Only two of the countries--the Netherlands and the United Kingdom--imported significant quantities of grain sorghums in 1960-61. The Netherlands imported 696,000 tons, and the United Kingdom, 371,800 metric tons. The United States was the principal supplier. Most of those interviewed in the Netherlands and West Germany expected larger purchases in future years, but said this would depend primarily on the price relationship to corn.

Barley.--Imports of barley account for about 23 percent of the five countries' imports of coarse grains. The United Kingdom and West Germany were the two largest

importers in 1960-61. Of the total, about one-third is estimated to be malting barley which varies by country and year.

U. K. imports have been declining in recent years, as a result of increased domestic production. They amounted to 965,000 tons in 1960-61. All of the 12 importers and processors interviewed expected U. K. barley production to increase for the next few years. Although half of them expected imports to decline slightly, the others expected them to be about 1 million tons annually. Prior to 1960-61, Canada was the largest supplier, accounting for about 65 percent of the total. However, in 1960-61, Canada supplied only about 32 percent; Australia supplied 22 percent and the Soviet Union 35 percent. The most important consideration in purchasing barley was reported to be price.

Austria imported only 61,000 metric tons of barley during 1960-61, which was slightly more than half of the previous 2 years. The reduced imports were due to a record harvest in 1960. Almost half of the imports in 1960-61 were from the USSR, and were under a bilateral trade agreement. Even though the government is encouraging increased domestic production, about half of the people interviewed expected imports to exceed 100,000 tons for the next few years. As in the United Kingdom, price was reported to be the most important consideration in purchasing barley. Quality was second.

Italian imports of barley have been increasing during recent years and totaled 460,000 tons in 1960-61. Australia and Argentina have been the principal suppliers, primarily because of the preference for heavy-type grain. However, here, too, price

Table 4.—Barley and oats imports by source, 1960-61

| Source | United Kingdom | Netherlands | West Germany | Austria | Italy |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> |
| Barley: | | | | | |
| United States | 8 | 194 | 270 | 11 | 53 |
| Canada | 309 | -- | 9 | -- | -- |
| Australia | 211 | -- | 65 | -- | 140 |
| Argentina | -- | -- | 68 | 20 | 73 |
| France | 69 | 80 | 136 | -- | 69 |
| USSR | 333 | -- | 66 | 30 | 48 |
| United Kingdom | -- | 26 | 52 | -- | -- |
| Others | 35 | 21 | 102 | -- | <u>1/</u> 77 |
| Total | 965 | 321 | 768 | 61 | 460 |
| Oats: | | | | | |
| United States | -- | 214 | 65 | -- | -- |
| Argentina | -- | 41 | 23 | -- | 94 |
| Others | 48 | 26 | <u>2/</u> 183 | 3 | <u>3/</u> 65 |
| Total | 48 | 281 | 273 | 3 | 159 |

1/ Includes 19,000 from Algeria and 15,000 from Morocco.

2/ Includes 145,000 from Australia, 16,000 Sweden, 12,000 from the Netherlands, and 6,000 from USSR.

3/ Includes 38,000 from Australia and 15,000 from USSR.

was reported to be the most important consideration. The government encourages the production of barley and corn, but all of the importers and processors expected imports to increase for the next few years.

West Germany imported a new record of 768,000 tons of barley in 1960-61. The United States supplied 35 percent and France was the second largest supplier. Imports were expected to increase for the next few years, according to most of those interviewed.

Dutch imports of barley in 1960-61 were sharply below previous years and totaled 321,000 tons. Most of the people interviewed expected some increase in imports during the next few years. The United States has been the largest supplier, followed by France.

Oats.--Imports of oats by the five countries amounted to 764,000 tons. The Netherlands and West Germany accounted for 37 percent and 36 percent, respectively. Oats are used primarily for horses, but some is used for human consumption. The consumption of oats has increased in Italy but declined steadily in each of the other countries.

U.K. imports of oats have declined sharply during the last few years. This was brought about by increased domestic production. Future imports will depend on fluctuation in domestic production, and the source of imports will depend primarily on landed prices.

Austrian imports of oats have been relatively small, and in 1960-61 amounted to 3,000 tons. Most of the imports are used for food. Here, too, imports will depend on the level of domestic production, and price and trade considerations.

Italian imports of oats have been increasing in recent years and totaled 159,000 tons in 1960-61. Nearly all of the imports are fed to horses; in the Trieste area, white oats from Australia are preferred and around Naples, brown oats from Argentina. Most of the importers and users interviewed expected import requirements to be from 75,000 to 100,000 tons annually for the next few years. Due to the preference for the white and brown color from the usual sources, purchases, it was said, will be made from other countries only when prices are more favorable or when oats are not available from the usual exporters.

West German imports of oats were 273,000 tons in 1960-61, well below recent years. Australia and the United States were the principal suppliers.

Compounding Industry

The compounding industry is well developed in the United Kingdom, West Germany, and the Netherlands. It is currently estimated that only about 20 percent of the total feeds are fed as grain and 80 percent is compounded in these countries. All of the people interviewed reported that the compounding industry would expand during the next few years to possibly 90 percent of the total.

The compounding industry in Austria and Italy is relatively new. It was estimated that only about 20 percent of the feeds were processed, primarily for poultry feeds.

All of those interviewed expected to see the industry expand rapidly during the next few years. The compounders also reported that they prefer the dent type, especially the natural dry corn. However, since appearance is not as important when used in a compound mix as when fed whole, the principal supplying sources may shift over time.

It is generally necessary for the compound mixes to be produced locally, particularly because of the adding of antibiotics. All of these countries have some type of restriction on imports of mixed feeds, especially those with antibiotics or other additives.

Some of the compounders in Austria and Italy reported dissatisfaction in obtaining price information to assist them in bidding on import tenders. They have to get the prices from the local importer and brokers who are also competing for tenders. They felt that they are at a competitive disadvantage in submitting bids.

Common Market

The Netherlands, West Germany, and Italy are members of the European Economic Community (Common Market). The United Kingdom has applied for membership. The Common Market's import procedure for grains had not been developed at the time of this study but was of major concern to all interviewed. They expected some changes in the pattern of trade, although total feed grain requirements are expected to continue to increase slightly and wheat requirements to remain about the same.

One part of the inquiry was directed toward the possible effect of the European Common Market on the future grain trade with the United States and other major exporters. Most of those who commented in any detail expressed general concern. The consensus was that trade with the United States would decline slightly, at least for a few years until further rationalization in the Common Market dictated a change in the use of its agricultural resources. Suppliers and importers were privately concerned because they were in the process of expanding port elevator facilities which would not be needed to the same extent if more grain moved in from France as was expected. End-users were concerned because the domestic production, characterized by high-moisture barley and soft wheats, does not meet their mixing and milling requirements. Many expressed the view that imports from the outside would be mainly of quality wheat, corn, and grain sorghums at an appropriate differential under corn.

Most of those interviewed in Italy, West Germany, and the Netherlands expected grain production within the area to continue to increase, especially feed grains. At the same time they recognized that the guaranteed levels of prices in the EEC and the level of the import charges would have to be firmly established before the future import trends could be appraised. All expected some change in the pattern of purchases from members, particularly from France. They expected France to become a large supplier of all grains, as steps were taken in adjusting internal domestic prices and import charges.

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